SB 467

Department of Fiscal Services
Maryland General Assembly

FISCAL NOTE

Senate Bill 467 (Senator Teitelbaum)
Budget and Taxation

Income Tax - Credit for Long-Term Care Expenses

This bill creates an income tax credit of 20% of the expenses paid by an individual, but not compensated by insurance, for qualified long-term care services for the individual, the individual's spouse, or a dependent. The maximum credit is $300.

This bill is effective July 1, 1997, and applies to all taxable years beginning after December 31, 1996.

Fiscal Summary

State Effect: General fund revenues could decline an estimated $27.4 million in FY 1999, increasing at 1.5% annually. Expenditures would increase an estimated $42,400 in FY 1998.

($ in millions)	FY 1998	FY 1999	FY 2000	FY 2001	FY 2002
GF Revenues	$0.0	($27.4)	($27.8)	($28.2)	($28.7)
GF Expenditures	0.0	0.0	0.0	0.0	0.0
Net Effect	$0.0	($27.4)	($27.8)	($28.2)	($28.7)

Note: ( ) - decrease; GF - general funds; FF - federal funds; SF - special funds

Local Effect: None.

Small Business Effect: None. It is assumed that this bill does not create an incentive for long-term care services, and would therefore not directly affect long-term care providers who are small businesses.

Fiscal Analysis

State Revenues: General fund revenues could decline by approximately $27.4 million in fiscal 1999, based on the following facts and assumptions:

- º in 1994, approximately 120,000 individuals in Maryland received qualified long-term care services, 34,000 of whom received institutional care and were covered by Medicaid;
- º the remainder, 14,000 receiving institutional care and 72,000 receiving home care, paid over $1,500 per year; and
- º long-term care insurance pays for about 2% of long-term care costs.

In 1994, therefore, costs eligible for the credit would have totaled $25.8 million. These costs are estimated to grow by about 1.5% per year (primarily through increased numbers of individuals requiring long-term care), so the 1998 loss would be about $27.4 million. The loss would occur in the fiscal year following the tax year in which it is claimed.

State Expenditures: The Office of the Comptroller would incur computer programming costs of $42,400 in fiscal 1998. The Department of Fiscal Services advises that if other legislation is passed changing the Maryland income tax calculation, economies of scale regarding computer programming changes could be realized. This would reduce computer programming costs associated with this bill and other income tax legislation.

Information Source(s): Office of the Comptroller (Revenue Administration Division), Department of Fiscal Services

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Analysis by: David F. Roose
Reviewed by: John Rixey

Direct Inquiries to:
John Rixey, Coordinating Analyst
(410) 841-3710
(301) 858-3710